

**IRON MOUNTAIN - KINGSFORD JOINT**  
**WASTEWATER TREATMENT PLANT**

**REPORT ON FINANCIAL STATEMENTS**

(with additional information)

For the Year Ended June 30, 2004

# AUDITING PROCEDURES REPORT

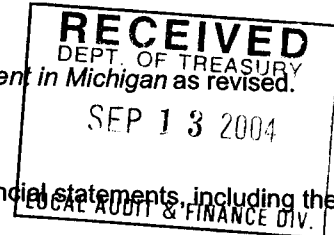
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Iron Mountain-Kingsford County Joint Wastewater Treatment Plant	
Audit Date 6/30/04	Opinion Date 7/20/04	Date Accountant Report Submitted to State: 9/10/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan as revised*.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 201 E Hughitt Street, PO Box 828	City Iron Mountain	State MI	ZIP 49801
Accountant Signature 			

**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Joint Board of Commissioners  
Iron Mountain – Kingsford Joint Wastewater Treatment Plant  
Iron Mountain – Kingsford, Michigan

We have audited the accompanying basic financial statements of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of and for the year ended June 30, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Audit Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of June 30, 2004, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated July 20, 2004 on our consideration of the Iron Mountain - Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

As described in Note A to the basic financial statements, the Plant adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments* and Governmental Accounting Standards Board Statement No 37, an amendment of Statement No. 34. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 5 through 10 is not a required part of the basic financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Iron Mountain - Kingsford Joint Wastewater Treatment Plant. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

July 20, 2004

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's financial performance provides an overview of the financial activities for the year ended June 30, 2004. Please read it in conjunction with the Plant's financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

- The Plant's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the entire Plant were reported at \$4,806,674. Net assets of our business-type activity was \$4,360,468 or 90.7%, while net assets of our governmental activity was \$446,206, or 9.3%.
- During the year, the Plant's expenses were \$883,785, while revenues from all sources totaled \$720,123, resulting in a decrease in net assets of \$(163,662).
- In the Plant's business type activity, operating revenues totaled \$614,019, or 85.3% total revenue, while operating expenses totaled \$872,431 or 98.7% of total expenses. The resultant operating loss of \$(258,412) was substantially covered by an operating transfer from the governmental fund of \$208,645.
- The governmental fund (capital projects fund) reported expenditures in excess of revenues amounting to \$(114,202).

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Plant as a whole and present a longer-term view of the Plant's finances. Fund financial statements start on page 13. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending.

### REPORTING THE PLANT AS A WHOLE

Our analysis of the Plant as a whole begins on page 11. One of the most important questions asked about the Plant's finances is "Is the Plant, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Plant as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Plant's *net assets* and changes in them. You can think of the Plant's net assets – the difference between assets and liabilities – as one way to measure the Plant's financial health, or *financial position*. Over time, *increases or decreases* in the Plant's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Plant's property, plant and equipment to assess the *overall financial health* of the Plant



In the Statement of Net Assets and the Statement of Activities, we divide the Plant into two kinds of activities:

- Government activities – The Plant's capital project activities are reported here. Contributions from the cities of Iron Mountain and Kingsford fund the majority of these activities.
- Business-type activities – The Plant charges fees to customers to help it cover all or most of the costs of services it provides. The Plant's Wastewater Treatment activity is reported here.

### REPORTING THE PLANT'S MOST SIGNIFICANT FUNDS

Our analysis of the Plant's major funds begins on page 13. The fund financial statements provide detailed information on the most significant funds, which includes all of the Plant's funds. Some funds are required to be established by State law. However, the Plant Commission may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Plant's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- *Government funds* – The Plant's capital project activities are reported in a governmental fund which focus on how money flows into and out and the balance left at year-end that are available for spending. This fund uses an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statement provides a detailed *short-term view* of the Plant's general government operation and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Plant's programs.
- *Proprietary funds* – The Plant charges customers for the services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Plant's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.



## THE PLANT AS A WHOLE

The Plant's combined net assets at June 30, 2004 decreased \$163,662 from June 30, 2003.

**Table 1**  
**Net Assets**

	June 30, 2004		
	<u>Governmental- Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current and other assets	\$ 446,206	\$ 72,689	\$ 518,895
Capital assets (net)	<u>-</u>	<u>4,323,195</u>	<u>4,323,195</u>
Total assets	<u>446,206</u>	<u>4,395,884</u>	<u>4,842,090</u>
<b>Liabilities</b>	<u>-</u>	<u>(35,416)</u>	<u>(35,416)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	-	4,323,195	4,323,195
Unrestricted	<u>446,206</u>	<u>37,273</u>	<u>483,479</u>
<b>Net Assets</b>	<u>\$ 446,206</u>	<u>\$ 4,360,468</u>	<u>\$ 4,806,674</u>

Net assets of the Plant's governmental activities stood at \$446,206 and all was unrestricted.

Net assets of the business-type activity stood at \$4,360,468. Unrestricted net business assets were \$37,273. In general, the business-type activity unrestricted net assets should be used to finance operations of the Plant. However, the Board of commissioners could transfer funds from the business activity unrestricted assets to the governmental activities area should the need arise.

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**Table 2**  
**Changes in Net Assets**

	<u>Year Ended June 30, 2004</u>		
	<u>Governmental- Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ -	\$ 614,019	\$ 614,019
General revenues:			
Unrestricted contributions	78,330	-	78,330
Unrestricted investment earnings	7,467	307	7,774
Restricted contribution	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total revenues	<u>105,797</u>	<u>614,326</u>	<u>720,123</u>
<b>Program Expenses:</b>			
Capital projects	11,354	-	11,354
Wastewater treatment	<u>-</u>	<u>872,431</u>	<u>872,431</u>
Total expenses	<u>11,354</u>	<u>872,431</u>	<u>883,785</u>
Excess (deficiency) before transfers	94,443	(258,105)	(163,662)
Fund transfers	<u>(208,645)</u>	<u>208,645</u>	<u>-</u>
Decrease in net assets	(114,202)	(49,460)	(163,662)
Net assets – beginning of period	<u>560,408</u>	<u>4,409,928</u>	<u>4,970,336</u>
Net assets – end of period	\$ <u>446,206</u>	\$ <u>4,360,468</u>	\$ <u>4,806,674</u>

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## BUSINESS-TYPE ACTIVITIES

Revenues for the Plant's business-type activity, sewage treatment, totaled \$614,326. The Plant's customer base has been stable.

## THE PLANT'S GOVERNMENTAL FUND

As the Plant completed the year, its governmental fund (as presented in the balance sheet on page 13) reported a fund balance of \$446,206, a decrease of \$114,202 from the beginning of the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2004, the Plant had \$10,029,095 invested in a variety of capital assets including land, equipment, buildings, and its wastewater system as follows:

**Table 4**  
**Capital Assets at June 30, 2004**  
**Business – Type Activity**

Land	\$ 31,635
Buildings and improvements	9,178,381
Equipment and vehicles	<u>819,079</u>
Total cost	10,029,095
Less accumulated depreciation	<u>5,705,900</u>
<b>NET FIXED ASSETS</b>	<b><u>\$4,323,195</u></b>

The Plant invested \$134,921 in capital assets during the year ended June 30, 2004.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Plant's appointed officials considered many factors when setting the rates and fees for the fiscal year 2004/2005 budget. The current state of the economy has been a major contributing factor in establishing these rates. In the upcoming year, we do not anticipate any significant industrial growth that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues. All of these were taken into consideration during the 2004/2005 budget process.

## **CONTACTING THE PLANT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers with a general overview of the Plant's finances and to show the Plant's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Plant Manager, Gary Lessard, at Box 88, Kingsford, Michigan 49802, or call 906-774-2255.

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# IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER TREATMENT PLANT

## STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and equivalents	\$ 188,231	\$ 39,691	\$ 227,922
Investments	250,000	-	250,000
Accounts receivable	7,975	31,900	39,875
Prepaid insurance	-	1,098	1,098
	<u>446,206</u>	<u>72,689</u>	<u>518,895</u>
Total current assets			
Noncurrent assets:			
Property, plant and equipment	-	10,029,095	10,029,095
Accumulated depreciation	-	(5,705,900)	(5,705,900)
	<u>-</u>	<u>4,323,195</u>	<u>4,323,195</u>
Total noncurrent assets			
	<u>446,206</u>	<u>4,395,884</u>	<u>4,842,090</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	-	26,709	26,709
Accrued wages	-	8,707	8,707
	<u>-</u>	<u>35,416</u>	<u>35,416</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	-	4,323,195	4,323,195
Unrestricted	446,206	37,273	483,479
	<u>446,206</u>	<u>4,360,468</u>	<u>4,806,674</u>
<b>TOTAL NET ASSETS</b>			
	<u>\$ 446,206</u>	<u>\$ 4,360,468</u>	<u>\$ 4,806,674</u>

The accompanying notes to the financial statements are an integral part of this statement.





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**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2004

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>						
<b>PRIMARY GOVERNMENT:</b>						
Governmental Activities:						
Capital improvement	\$ 11,354	\$ -	\$ 20,000	\$ 86,976	\$ -	\$ 86,976
Total governmental activities	11,354	78,330	20,000	86,976	-	86,976
Business-type activities:						
Sewage treatment	872,431	-	-	-	(258,412)	(258,412)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 883,785</b>	<b>\$ 78,330</b>	<b>\$ 20,000</b>	<b>\$ 86,976</b>	<b>\$ (258,412)</b>	<b>\$ (171,436)</b>
General revenues:						
Unrestricted investment earnings				\$ 7,467	\$ 307	\$ 7,774
Transfers				(208,645)	208,645	-
Total general revenues and transfers				(201,178)	208,952	7,774
Changes in net assets				(114,202)	(49,460)	(163,662)
Net assets, beginning of year				560,408	4,409,928	4,970,336
Net assets, end of year				\$ 446,206	\$ 4,360,468	\$ 4,806,674

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
Capital Projects Fund**

June 30, 2004

**ASSETS:**

Cash and equivalents  
Investments  
Accounts receivable

\$ 188,231  
250,000  
7,975

**TOTAL ASSETS**

\$ 446,206

**FUND BALANCE:**

Unreserved  
Undesignated

\$ 446,206

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The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Capital Projects Fund**

For the Year Ended June 30, 2004

REVENUES:

Unrestricted contributions:

City of Iron Mountain	\$ 39,255
City of Kingsford	34,576
White Birch Village	1,809
Groundwater remediation	2,690
Investment earnings	7,467
Restricted contributions	20,000
	<hr/>

TOTAL REVENUES

105,797

EXPENDITURES-Consulting/Engineering

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11,354

EXCESS OF REVENUES OVER EXPENDITURES

94,443

OTHER FINANCING SOURCES (USES):

Operating transfers out	<hr/> (208,645)
-------------------------	-----------------

NET CHANGE IN FUND BALANCE

(114,202)

FUND BALANCE, BEGINNING OF YEAR

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560,408

FUND BALANCE, END OF YEAR

\$ 446,206

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The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF NET ASSETS  
Proprietary Fund**

June 30, 2004

**ASSETS:**

**Current assets:**

Cash and equivalents	\$ 39,691
Accounts receivable	31,900
Prepaid insurance	1,098
	<hr/>
Total current assets	72,689

**Fixed assets:**

Land	31,635
Buildings and improvements	9,178,382
Furniture and fixtures	51,885
Equipment	732,244
Other fixed assets	34,949
Less: accumulated depreciation	(5,705,900)
	<hr/>

Net fixed assets	4,323,195
	<hr/>

<b>TOTAL ASSETS</b>	<b>\$ 4,395,884</b>
	<hr/>

**LIABILITIES:**

**Current liabilities**

Accounts payable	\$ 26,709
Accrued wages	8,707
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,416</b>
	<hr/>

**NET ASSETS:**

Invested in capital assets net of related debt	4,323,195
Unrestricted	37,273
	<hr/>
<b>NET ASSETS</b>	<b>\$ 4,360,468</b>
	<hr/>

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The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
Proprietary Fund**

For the Year Ended June 30, 2004

**OPERATING REVENUES:**

Sewage Disposal Service:	
City of Iron Mountain	\$ 318,998
City of Kingsford	257,310
White Birch Village	13,837
Groundwater remediation	23,444
Other	430

**TOTAL OPERATING REVENUES**

614,019

**OPERATING EXPENSES:**

Operating and maintenance expense	234,122
Administrative expenses	369,876
Depreciation	268,433

**TOTAL OPERATING EXPENSES**

872,431

**OPERATING INCOME (LOSS)**

(258,412)

**NON-OPERATING REVENUE:**

Interest	307
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Income (loss) before transfers  
and contributions

(258,105)

**OPERATING TRANSFERS:**

Operating transfers in:	
Capital Projects Fund	208,645

Change in net assets

\$ (49,460)

**NET ASSETS, BEGINNING OF YEAR**

4,409,928

**NET ASSETS, END OF YEAR**

\$ 4,360,468

The accompanying notes to the financial statements are an integral part of this statement.

**ANDERSON, TACKMAN  
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**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF CASH FLOWS  
Proprietary Fund**

For the Year Ended June 30, 2004

**OPERATING ACTIVITIES:**

Receipts from customers	\$ 602,277
Payments to suppliers	(302,812)
Payments for wages and related benefits	(300,636)
Other receipts	430
	<hr/>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> (741) <hr/>
--------------------------------------------------	-------------------

**NON-CAPITAL FINANCING ACTIVITIES:**

Transfers from other funds	141,757
	<hr/>

NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<hr/> 141,757 <hr/>
-----------------------------------------------------------------	---------------------

**CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of fixed assets	(134,921)
	<hr/>

NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<hr/> (134,921) <hr/>
-------------------------------------------------------------------------	-----------------------

**INVESTING ACTIVITIES:**

Investment income	307
	<hr/>

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<hr/> 307 <hr/>
--------------------------------------------------	-----------------

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	6,402
-------------------------------------------------	-------

CASH AND EQUIVALENTS, BEGINNING OF YEAR	<hr/> 33,289 <hr/>
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CASH AND EQUIVALENTS, END OF YEAR	<hr/> \$ 39,691 <hr/>
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**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (258,412)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	268,433
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(11,312)
Decrease (Increase) in prepaids	(1,098)
Increase (Decrease) in accounts payable	8,352
Increase (Decrease) in accrued payroll	(6,704)
	<hr/>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> \$ (741) <hr/>
--------------------------------------------------	----------------------

The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**THE REPORTING ENTITY**

The Iron Mountain – Kingsford Joint Wastewater Treatment Plant ("Plant"), was formed in 1960 under the provisions established by the joint cooperation of the cities of Iron Mountain and Kingsford. The Plant operates under a board of commissioners consisting of the city manager of each City as well as a member appointed by the respective mayors of the Cities.

The Plant, for financial reporting purposes, includes all of the funds relevant to its operations.

The accounting policies of the Plant conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**BASIS OF PRESENTATION**

During the year the Plant adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

**Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the Plant as a whole. They include all funds of the Plant. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements:**

The accounts of the Plant are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Funds of the Plant are considered major if they meet the following criteria:



**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Plant reports the following as major governmental funds in accordance with the above criteria:

Capital Projects Fund

The Plant reports the following as a major enterprise fund in accordance with the above criteria:

Wastewater Treatment Plant

The funds of the Plant are described below:

**Governmental Funds**

Capital Project Fund - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund**

Enterprise Funds - Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus:**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting:**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.



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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accountings, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

As allowed by GASB Statement No. 20, the Plant's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE**

- a. Cash and Equivalents – The Plant's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.
- c. Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Fixed Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Machinery and equipment	5-20 years

**Fund Financial Statements:**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

The Plant has adopted a capitalization policy for fixed assets of \$500 per item.

- e. Compensated Absences - It is the Plant's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from the City. In governmental funds, the cost of sick leave is recognized when payments are made to employees. In proprietary funds, the cost of vested sick leave is recognized as an expense as earned by the employees.

f. Equity Classification

**Government-Wide Statements:**

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets.- Consists of capital assets, net of accumulated depreciation
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)**

**Fund Statements:**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

**REVENUES AND EXPENDITURES/EXPENSES**

**Revenues:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments and interest earnings.

**Fund Statements:**

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

**Expenses/Expenditures:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.





**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUES AND EXPENDITURES/EXPENSES (Continued)**

**Fund Statements:**

In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

**Operating Revenues and Expenses:**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

**Other Financing Sources (Uses):**

The transfers of cash between the various Plant funds are reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

**Interfund Activity:**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables are eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

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**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting:**

The Plant follows these procedures in establishing the budgetary data reflected in the supplementary information:

- (1) The budget is enacted through passage of a motion.
- (2) Formal budgetary integration is employed as a management control device during the year for the Capital Projects Fund and Enterprise Fund.
- (3) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) on an activity basis.
- (4) Appropriations lapse at the end of each fiscal year.
- (5) The Joint Board of Commissioners may authorize supplemental appropriations during the year.

The fiscal 2004 budget was adopted on June 20, 2003 and amended on January 15, 2004 and May 20, 2004.

**RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND  
RETAINED EARNINGS**

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriable for expenditure or is legally segregated for a specific future use.

Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSION PLAN**

The Plant has a pension plan covering substantially all of its employees. It is funded by making actuarially determined annual contributions.

**AMORTIZATION OF CONTRIBUTED CAPITAL**

The Plant has opted, as permitted by Statement 2 of the National Council of Governmental Accounting, to treat the depreciation on assets constructed or acquired by grants as an amortization of the "Contributions in Aid of Construction" account. This results in an annual increase of retained earnings and a decrease in the "Contributions in Aid of Construction" account in the Operations and Maintenance Fund totaling \$179,916.

**CASH FLOWS**

The Proprietary Fund considers all cash and investment accounts with an original maturity of three months or less to be cash and equivalents.

**NOTE B - CASH AND INVESTMENTS**

The Plant maintains segregated cash and investment accounts which are specific to the fund to which they are available. Investments are stated at fair market value.

**CASH AND EQUIVALENTS**

Cash and equivalents consisted of:

Cash in checking	\$ 2,500
Repurchase agreement	225,322
Petty cash	<u>100</u>
TOTAL	<u>\$227,922</u>

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TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE B - CASH AND INVESTMENTS (Continued)**

The bank balance of the checking account was \$ 7,742 and it was totally F.D.I.C. insured. The repurchase agreements were secured by FHLMC notes with underlying market values of \$549,423. Cash and equivalents are categorized as follows:

Category 1 - Insured or registered, with securities held by the Plant or its agent in the Plants name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Plants name.

	<u>Category</u>			<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$ 2,600	\$ -	\$ -	\$ 2,600
Repurchase agreement	<u>-</u>	<u>-</u>	<u>225,322</u>	<u>225,322</u>
<b>TOTAL</b>	<b><u>\$ 2,600</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 225,322</u></b>	<b><u>\$ 227,922</u></b>

**STATUTORY AUTHORITY**

Michigan law (Act 196 PA 1997) authorizes the Plant to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- b. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.



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TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE B - CASH AND INVESTMENTS (Continued)**

**STATUTORY AUTHORITY (Continued)**

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**INVESTMENTS**

Investments are stated at market value.

Investments consisted of a repurchase agreement and a certificate of deposit and were in accordance with State of Michigan Statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. Investments are categorized as follows:

Category 1 - Insured or registered, with securities held by the Plant or its agent in the Plants name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Plant's name

	<u>Category</u>			<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Bank certificates of deposit	\$ 250,000	\$ -	\$ -	\$ 250,000

The certificate of deposit was F.D.I.C. insured up to \$92,258.

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**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE C - EMPLOYEE RETIREMENT PLAN**

As of July 1, 1995, the Plant adopted employees' Pension Plan B-1 of the state administered Municipal Employees' Retirement System for all eligible full time employees and elected participation pursuant to Member Contribution Program III, Benefits E-1 and E-2. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service. The Plant's contribution to the Plan for the year ended June 30, 2004 amounted to \$8,428, employee contributions amounted to \$10,081.

**GASB 25 And GASB 27 Information**

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2003 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

**GASB 25 INFORMATION (as of 12/31/03)**

**Actuarial Accrued Liability**

Retirees and beneficiaries currently receiving benefits	\$ 57,098
Terminated employees (vested former members) not yet receiving benefits	-
Non-vested terminated employees (pending refunds of accumulated member contributions)	-
Current employees- Accumulated employee contributions including allocated investment income	134,100
Employer Financed	<u>189,956</u>
Total Actuarial Accrued Liability	\$ 381,154
Net Assets Available for Benefits at Actuarial Value	<u>263,819</u>
(Market Value is \$240,895)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ <u>117,335</u>

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**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE C - EMPLOYEE RETIREMENT PLAN (Continued)**

**GASB 27 INFORMATION (as of 12/31/03)**

Fiscal Year Beginning	July 1, 2005
Annual Required Contribution (ARC)	\$ <u>9,252*</u>
Amortization Factor Used - Underfunded Liabilities (30 years)	<u>0.053632</u>

\*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 1, 2005) times the computed employer contribution rate(s).

**NOTE D - FIXED ASSETS**

A summary of property, plant and equipment as of June 30, 2004 is as follows:

	<u>Balance 7-1-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-04</u>
Land	\$ 31,635	\$ -	\$ -	\$ 31,635
Structures	8,977,978	-	-	8,977,978
Improvements	200,403	-	-	200,403
Operating Equipment	599,738	132,506	-	732,244
Furniture & Fixtures	51,389	2,415	(1,918)	51,886
Other Equipment	<u>36,016</u>	<u>-</u>	<u>(1,067)</u>	<u>34,949</u>
Total	9,897,159	134,921	(2,985)	10,029,095
Accumulated Depreciation	<u>(5,440,452)</u>	<u>(268,433)</u>	<u>2,985</u>	<u>(5,705,900)</u>
Net Capital Assets	<u>\$4,456,707</u>	<u>\$(133,512)</u>	<u>\$ -</u>	<u>\$4,323,195</u>

Depreciation expense for the year was \$268,433.

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE E - COMPENSATED ABSENCES**

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the Plant accrues a liability for compensated absences which meet the following criteria:

1. The Plant's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Plant has calculated a liability for sick, personal and vacation leave which has been earned but not taken by Plant employees. The amount of \$6,640 is included in liabilities in accordance with FASB Statement 43.

Accumulated, but not vested, sick pay amounted to \$9,728 at June 30, 2004.

**NOTE F - RISK MANAGEMENT**

The Plant is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plant maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Plant. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE G - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE H - RETAINED EARNINGS (DEFICIT)**

The Plant had a retained earnings deficit of \$(683,355) in its proprietary fund at June 30, 2004. That deficit is reduced annually by a charge to contributed capital of \$179,916. The Proprietary Fund has a total fund balance of \$4,360,468.

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**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

(Continued)

**NOTE I - ECONOMIC DEPENDENCY**

The Plant's Proprietary Fund incurred a net loss of \$(49,460) and an operating loss of \$(258,412) for the year ended June 30, 2004.

The Plant is dependent upon the Cities of Kingsford and Iron Mountain, Michigan to fund its operations via user fees.

**NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Iron Mountain-Kingsford Joint Wastewater Treatment Plant maintains an Enterprise Fund (Wastewater Treatment Plant) which is intended to be self supporting through user fees charged for services to the public. Financial segment information for this Enterprise Fund as of and for the year ended, June 30, 2004 is presented below:

	<u>\$</u>
Operating revenues	614,019
Depreciation expense	268,433
Operating income (loss)	(258,412)
Operating transfer - in	208,645
Net income (loss)	(49,460)
Fixed Assets:	
Additions	134,921
Disposals	2,985
Net working capital	(37,273)
Total assets	4,395,884
Total equity	4,360,468

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## SUPPLEMENTAL INFORMATION

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES-  
BUDGET AND ACTUAL  
Capital Projects Fund**

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(Note A)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES:				
Unrestricted contributions:				
City of Iron Mountain	\$ -	\$ 42,000	\$ 39,255	\$ (2,745)
City of Kingsford	-	32,500	34,576	2,076
White Birch Village	-	-	1,809	1,809
Groundwater remediation	-	2,600	2,690	90
Investment earnings	10,000	10,000	7,467	(2,533)
Restricted contributions	-	-	20,000	20,000
<b>TOTAL REVENUES</b>	<b>10,000</b>	<b>87,100</b>	<b>105,797</b>	<b>18,697</b>
EXPENDITURES-Consulting/Engineering	10,000	10,000	11,354	(1,354)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>77,100</b>	<b>94,443</b>	<b>17,343</b>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	145,000	222,600	(208,645)	431,245
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (145,000)</b>	<b>\$ (145,500)</b>	<b>\$ (114,202)</b>	<b>\$ 31,298</b>

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The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES-  
BUDGET AND ACTUAL  
Proprietary Fund**

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> (Budgetary Basis) (Note A)	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Sewage Disposal Services:				
City of Iron Mountain	\$ 299,000	\$ 316,500	\$ 318,998	\$ 2,498
City of Kingsford	232,500	246,000	257,310	11,310
White Birch Village	12,000	12,000	13,837	1,837
Groundwater remediation	18,500	20,000	23,444	3,444
Other	1,500	1,500	430	(1,070)
<b>TOTAL OPERATING REVENUES</b>	<b>563,500</b>	<b>596,000</b>	<b>614,019</b>	<b>18,019</b>
<b>OPERATING EXPENSES:</b>				
Operations and Maintenance:				
Contracted services:				
Analytical	2,300	5,300	5,322	(22)
Solids handling	55,000	55,000	58,189	(3,189)
Miscellaneous	600	600	-	600
Treatment chemicals:				
Disinfection	3,600	3,600	3,046	554
Solids removal	22,000	23,000	20,918	2,082
Laboratory:				
Chemicals	1,800	1,800	2,089	(289)
Supplies	5,000	5,000	3,091	1,909
Maintenance:				
Pumps	6,000	6,000	1,794	4,206
Electrical	5,000	5,000	4,363	637
Prelim. treatment	8,200	4,700	2,409	2,291
Primary treatment	1,500	1,500	30	1,470
Secondary treatment	3,000	3,000	4,869	(1,869)
Solids treatment	1,500	1,500	-	1,500
HVAC	2,100	2,100	5,145	(3,045)
Vehicles	550	550	578	(28)
Grounds/grounds equipment	1,500	1,500	2,458	(958)
Buildings	4,100	4,100	4,552	(452)
Stand-by power	500	500	1,240	(740)
Fuel lubricants	1,200	1,200	1,948	(748)
Miscellaneous	3,500	2,500	1,830	670
Utilities:				
Gas	18,000	21,500	20,380	1,120
Electric	80,000	80,000	82,102	(2,102)
Water and sewer	7,300	7,300	6,129	1,171
Telephone	1,500	1,500	1,640	(140)

ANDERSON, TACKMAN  
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CERTIFIED PUBLIC ACCOUNTANTS



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES-  
BUDGET AND ACTUAL  
Proprietary Fund**

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) (Note A)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Total operations and maintenance expenses	235,750	238,750	234,122	4,628
Administrative Expenses:				
Salaries and wages	197,000	197,000	196,888	112
Payroll taxes	15,250	15,250	15,575	(325)
Pension	5,700	5,700	8,428	(2,728)
Health/life insurance	74,000	74,000	73,042	958
Office expense	1,200	1,200	5,087	(3,887)
Education/memberships	1,500	1,500	788	712
Accounting and audit	7,200	7,200	7,300	(100)
Professional fees	-	-	888	(888)
Board expenses	680	680	740	(60)
Collection fees	15,400	15,400	15,400	-
Comp/liability insurance	46,000	46,000	38,835	7,165
State permits	7,000	4,000	6,600	(2,600)
Miscellaneous	500	500	305	195
Total administrative expenses	371,430	368,430	369,876	(1,446)
Depreciation Expense	254,000	254,000	268,433	(14,433)
Total operating expenses	861,180	861,180	872,431	(11,251)
OPERATING (LOSS)	(297,680)	(265,180)	(258,412)	6,768
NON-OPERATING REVENUE:				
Interest earned	500	500	307	(193)
Contributions from other fund	145,000	222,600	208,645	(13,955)
Total non-operating revenues	145,500	223,100	208,952	(14,148)
NET (LOSS)	\$ (152,180)	\$ (42,080)	\$ (49,460)	\$ (7,380)

The accompanying notes to financial statements are an integral part of this statement.

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## OTHER REPORTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Joint Board of Commissioners  
Iron Mountain – Kingsford Joint Wastewater Treatment Plant  
Iron Mountain – Kingsford, Michigan

We have audited the financial statements of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant, State of Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iron Mountain – Kingsford Joint Wastewater Treatment Plant, State of Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iron Mountain – Kingsford Joint Wastewater Treatment Plant, State of Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Joint Board of Commissioners and is not intended to be and should not be sued by anyone other than those specified parties.

*Anderson Tackman & Co. P.C.*

ANDERSON, TACKMAN & COMPANY, P.L.C.  
Certified Public Accountants  
Iron Mountain, Michigan

July 20, 2004

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

